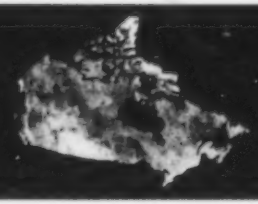


Canadian Natural Gas

›› Monthly Market Update

November 2008

›› Natural Gas Division
Petroleum Resources Branch
Energy Sector

Natural Resources Canada | Ressources naturelles Canada

Canada

Foreword

nthly Market Update is a
The *Canadian Natural Gas: Mo*d by the Natural Gas Division
monthly working paper prepare
of Natural Resources Canada.

Report

Structure and Format of the Re most recently available data
This six page report provides th fundamentals affecting
on natural gas prices and on ke
prices.

mmary, which provides a brief,
To the right is an Executive Su as market fundamentals. For
up-to-date overview of natural g ad, the remainder of the report
those interested in reading ahea text and comments associated
consists of graphs, with limited short description of the natural
with each. The text provides a ed by a simple comparative
gas market fundamental, follow month-over-month) of the
analysis (i.e., year-over-year or
data contained within the figure.

report has been formatted in
Beginning in January 2005, this e easily read on a computer
landscape orientation to be mor
screen.

Sources

veloping this report, including
Various sources are used in dev erdata, Daily Oil Bulletin, the
Statistics Canada, Canadian En Energy Publications. *Data is*
National Energy Board and GLJ
subject to revision.

gestions or questions please
If you have any comments, sug 1023, or by email at
contact Ryan Creighton at 992-
rcreight@nrcan.gc.ca

Executive Summary

The chart below depicts percentage changes (given the most recently available month of data) in natural gas prices, heating degree days (weather), natural gas domestic sales and exports, imports, storage, drilling, and natural gas production.

Natural Gas Market Fundamental	Percentage Change	
	Year-to-Year	Month-to-Month
Prices	20%	8%
Heating Degree Days	2%	255%
Production	-8%	-4%
Sales	-4%	15%
Exports	-11%	-4%
Imports	-16%	-4%
Storage	-3%	4%
Drilling	7%	2%

PRICES: CDN $6.56/GJ in November 2008; an increase of 20%

HDDs: 103 in September 2008; an increase of 2%

PRODUCTION: 430 Bcf in September 2008; a decrease of 8%.

SALES: 159 Bcf in September 2008; a decrease of 4%

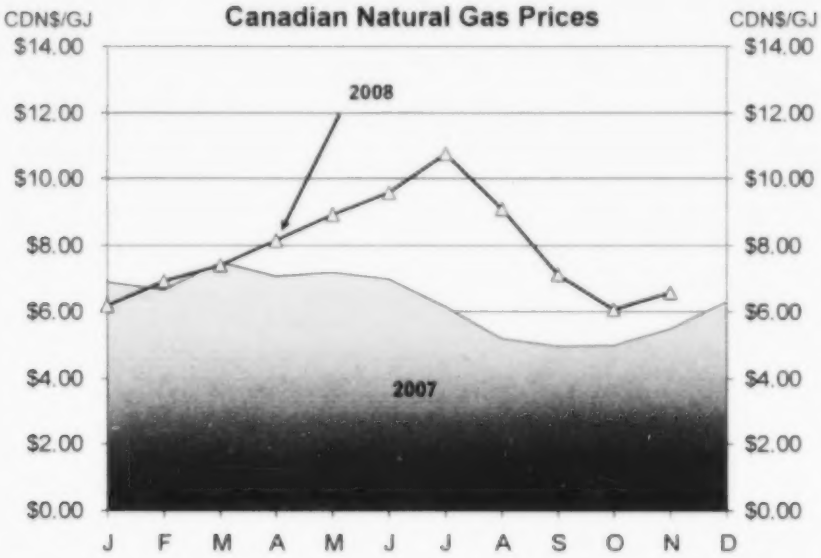
EXPORTS: 280 Bcf in September 2008; a decrease of 11%

IMPORTS: 26 Bcf in September 2008; a decrease of 16%

STORAGE: 572 Bcf in November 2008; a decrease of 3%

DRILLING: 1354 in November 2008; an increase of 7%

Figure 1

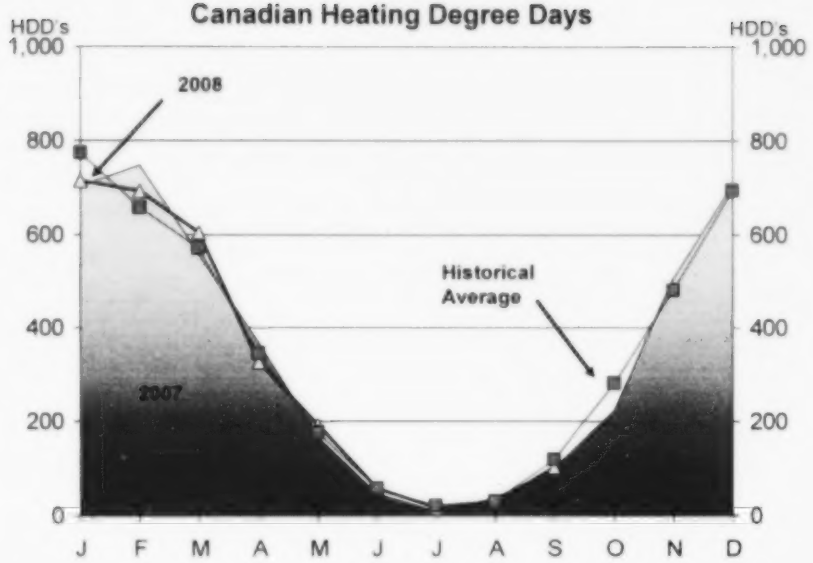


Source: GLJ Energy Publications **Note:** Canadian price is the Alberta price at the AECO hub.

Figure 1 illustrates the price of natural gas at the major Canadian pricing point – the Intra-Alberta market. The price is for gas delivered under a 30-day contract. The Intra-Alberta market is formed by gas delivered to pipelines in Alberta. Gas changes hands via Nova Inventory Transfers (NIT), exchanges at the AECO storage hub, or sales facilitated by the Natural Gas Exchange (NGX). This is a commodity price – a wholesale price in the producing area. Consumer (or "burner tip") prices will also include pipeline transmission and distribution costs, which vary across Canada. Natural gas is commonly measured in gigajoules (GJ) or cubic metres. A gigajoule is an energy unit, which equates to about 27 cubic metres of natural gas.

Canadian natural gas commodity prices were CDN $6.56/GJ in November 2008, 8% lower than the previous month and 20% higher than November 2007.

Figure 2



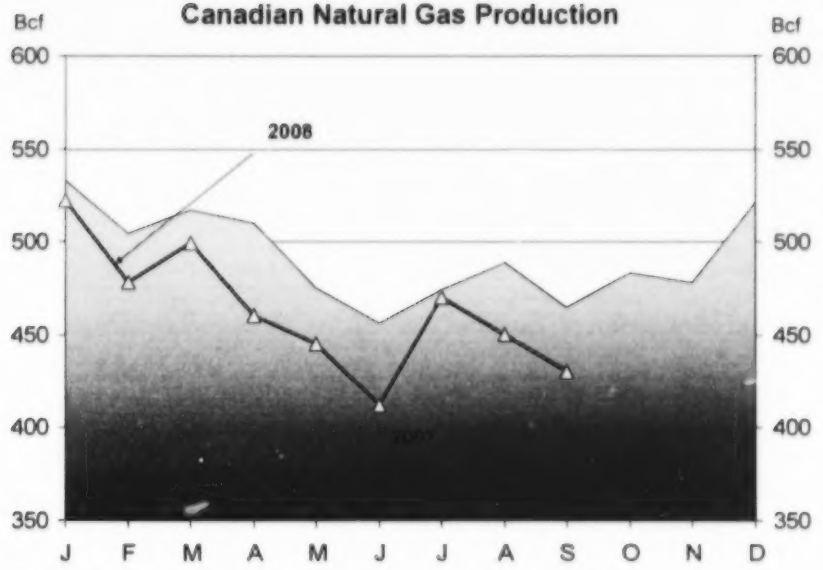
Source: Statistics Canada

Figure 2 shows Canadian heating degree days (HDDs), which are a measure of how cold it is. The more HDDs in any season, the greater is natural gas demand for space heating. If the winter is unusually cold, demand will respond accordingly and natural gas prices will tend to be stronger. However, if the winter is mild, demand will be weaker, which will tend to moderate prices.

In September 2008, there were 103 HDDs, 2% more than September 2007. Temperatures in September 2008 were 13% warmer than normal.

Figure 3

Canadian Natural Gas Production



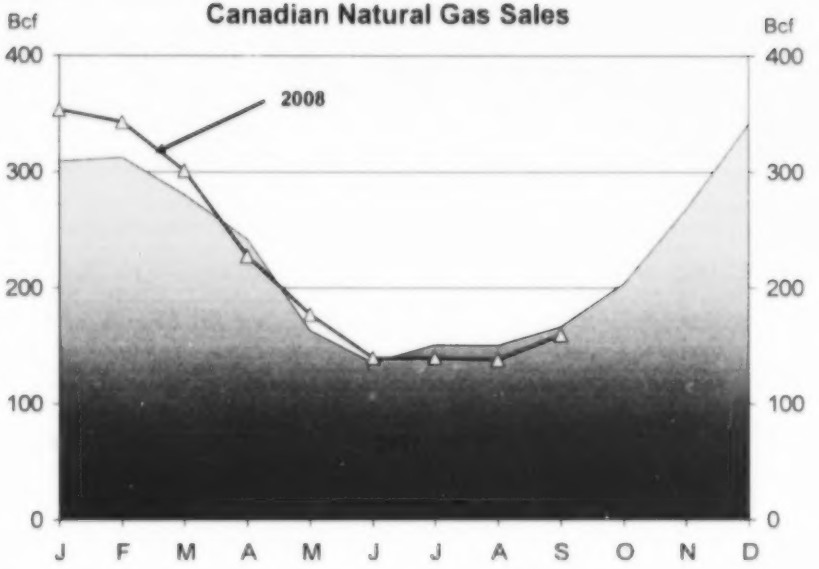
Source: Statistics Canada **Note:** Most recent month is a preliminary figure.

Figure 3 shows marketable natural gas production in Canada. Marketable natural gas is the gas available for consumption after processing and excludes producer or plant uses.

Marketable natural gas production for September 2008 was 430 Bcf, 8% lower than September 2007.

Figure 4

Canadian Natural Gas Sales



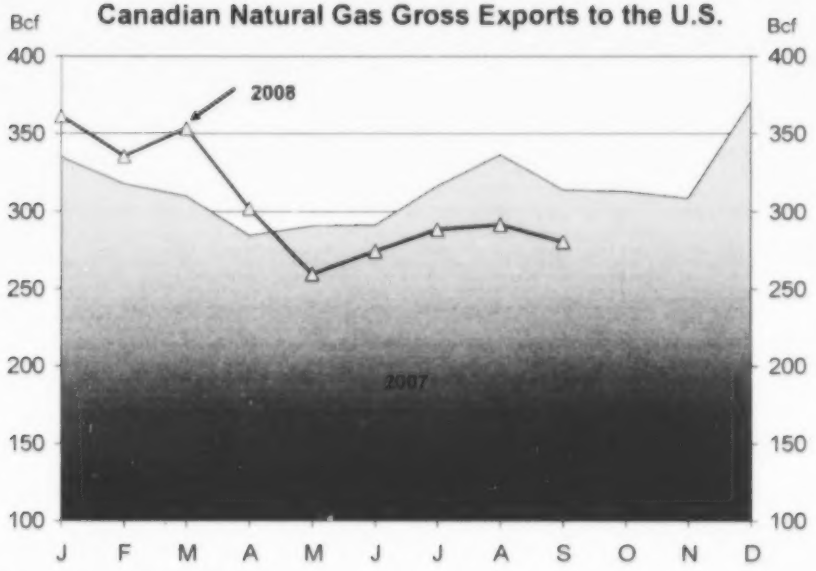
Source: Statistics Canada **Note:** Most recent month is a preliminary figure.

Figure 4 illustrates total Canadian natural gas sales. Sales include all natural gas sold to residential and commercial users (for space and water heating, cooking, etc), industries and electricity generating units in Canada. The totals do not include consumption by the natural gas industry itself (e.g., pipeline compressor fuel).

Natural gas sales to Canadian consumers in September 2008 were 159 Bcf, 4% less than September 2007.

Figure 5

Canadian Natural Gas Gross Exports to the U.S.



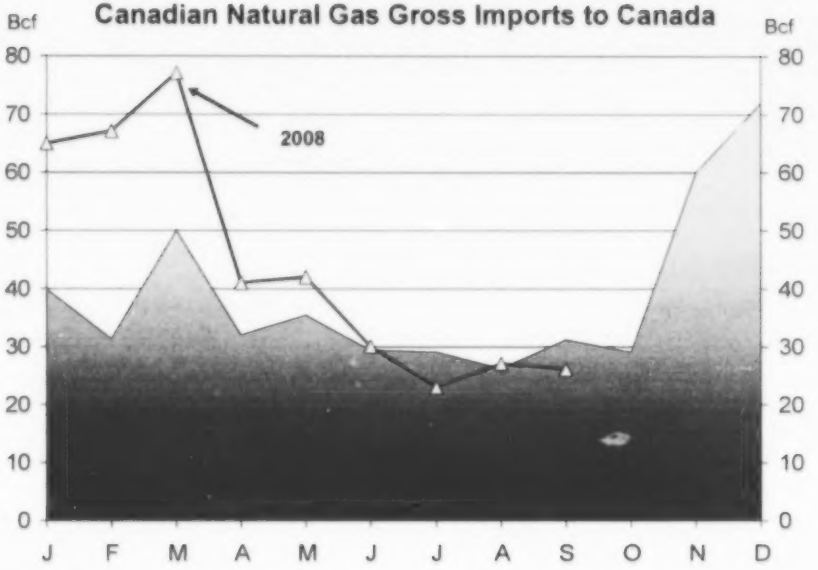
Source: National Energy Board

Figure 5 illustrates natural gas exports to the U.S. Canadian natural gas requirements are met entirely by domestic sources, as Canada produces natural gas in excess of what is required for domestic consumption. In comparison, the U.S. consumes more natural gas than it produces, therefore natura' gas imports are required to make up the difference. Typically, Canada exports between 50 and 60 per cent of its gas production.

In September 2008, natural gas exports to the U.S. were 280 Bcf, 11% lower than September 2007.

Figure 6

Canadian Natural Gas Gross Imports to Canada



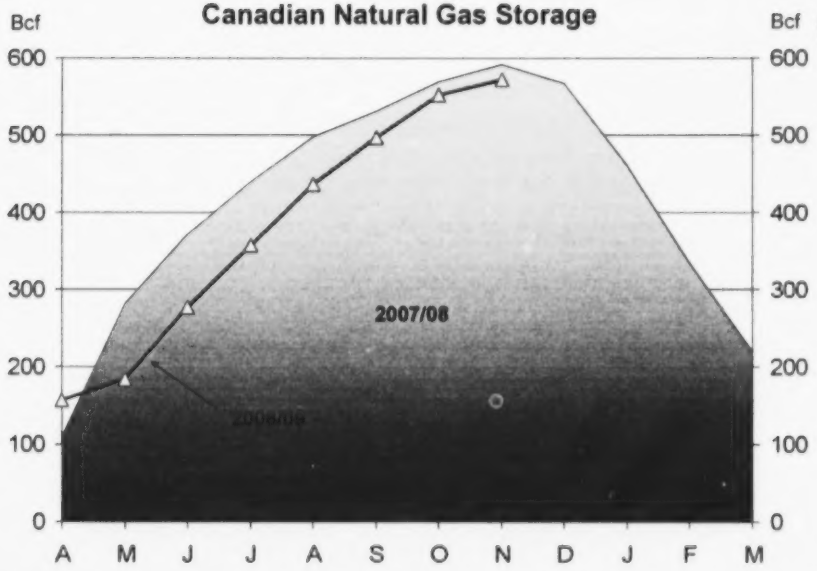
Source: National Energy Board

Figure 6 illustrates natural gas imports to Canada. Most natural gas is imported into Canada through major import points in southern Ontario. Imports into southern Ontario will likely rise in the future, as the province purchases more gas from the rest of North America due to flat production in the Western Canadian Sedimentary Basin. Presently, import volumes are significantly less than export volumes, and Canada remains a net exporter of natural gas.

In September 2008, natural gas imports to Canada were 26 Bcf, 16% lower than September 2007.

Figure 7

Canadian Natural Gas Storage



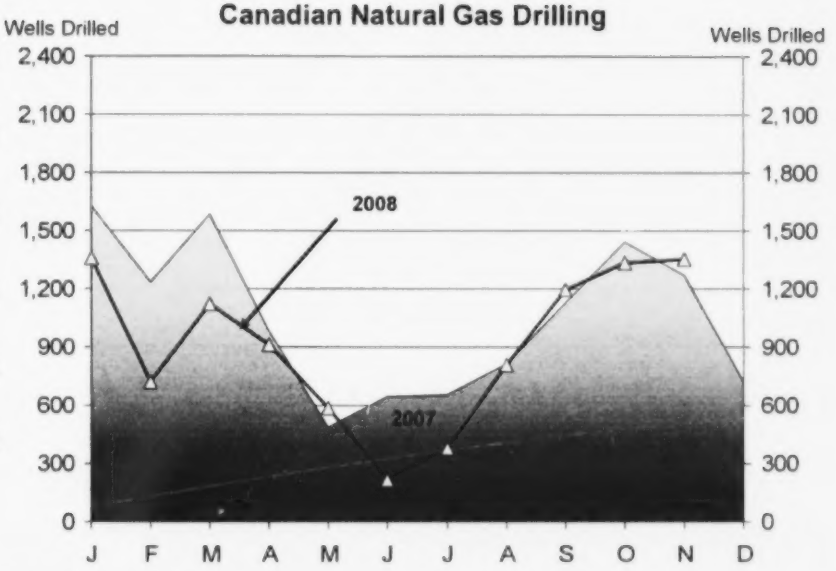
Source: Canadian Enerdata

Figure 7 indicates natural gas storage levels in Canada. The amount of gas in storage generally follows a seasonal pattern. In the summer, when natural gas demand is low, gas is injected into storage. Storage volumes peak in the fall. In winter, volumes are drawn down, reaching a low point in the spring.

Canadian natural gas storage inventories increased 20 Bcf during the month of October 2008. Storage levels at the beginning November 2008 were 572 Bcf, 3% lower than the year prior.

Figure 8

Canadian Natural Gas Drilling



Source: Daily Oil Bulletin

Figure 8 depicts the number of natural gas well completions in Canada. There is a time-lag between drilling a gas well and starting production, due to the work necessary to connect the new well to the pipeline grid. Drilling is therefore a good indicator of future natural gas supply.

There were 1354 natural gas wells drilled in November 2008, an increase of 7% from November 2007.

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